

NTL-WY-95-01, Change 1

NTL-WY-95-01 was a notice-to-lessee (NTL) issued effective August 1, 1995, to inform lessee/operators of the Bureau of Land Management (BLM) policy and procedures with regard to BLM Wyoming responsibility for establishing oil and gas well spacing/well location on Indian lands. The NTL is being updated to reflect:

- 1) An address change for the BLM Lander Resource Area Office; and
- 2) A name change for the Reservoir Management Team (RMT) to the Reservoir Management Group (RMG)

BLM Wyoming would also like to clarify information needs regarding the exception well spacing/well location request. The applicant is currently directed to supply information regarding the reason for the exception well spacing/well location request and the well formation in the notification to RMG. The RMG needs this information in order to properly evaluate the exception well spacing/well location request. Most operators were already supplying this information to the Lander Resource Area (LRA), but not in the notification to RMG. LRA is not responsible for evaluating the exception well spacing/well location request.

All changes contained in NTL-WY-95-01, Change 1, are highlighted in bold for easy reference. BLM Wyoming considers these NTL changes minor and will not increase operator reporting requirements. Due to the cost of mailing this notice to all operators statewide (the majority who do not conduct operations on Indian lands in BLM Wyoming), NTL-WY-95-01, Change 1, will be supplied to various parties involved in oil and gas activity on Indian lands in Wyoming. NTL-WY-95-01, Change 1, will also be available from the BLM Lander Resource Area office and from the RMG upon request.

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Notice to Lessee (NTL) and Operators
of Onshore Federal Oil and Gas Leases
Under the Jurisdiction of the Wyoming State Office

NTL-WY-95-01, Change 1

Oil and Gas Well Spacing/Well Location on Indian Lands

Introduction

This notice is to inform lessee/operators of the Bureau of Land Management (BLM) policy and procedures being implemented with regard to BLM's responsibility for establishing spacing on Indian lands. The effective date of this notice will be August 1, 1995. The BLM has jurisdiction for well spacing/well location over Federal and Indian lands. This spacing program for Indian lands is being implemented to ensure that the BLM Wyoming is meeting its trust responsibility relating to spacing of Indian oil and gas trust resources. It is not the intent of the BLM Wyoming to delay, hinder, or impede oil and gas development on Indian lands, but to facilitate such development by providing consistency in establishing spacing units and well location requirements in areas of Indian mineral ownership.

Background

The BLM has the authority (found at 43 CFR 3162.3-1(a)) for establishing spacing on both Federal and Indian lands. Under this regulation, the Bureau has historically accepted state spacing for Federal lands, often without independent review or documentation by the Bureau. A court ruling in Montana in 1987 made it clear that the Bureau can not automatically accept spacing established by State Boards or Commissions for Indian lands. The Bureau policy is for each BLM State Office with Indian oil and gas lands under its jurisdiction have a program for spacing Indian trust lands which involves independent review and approval of all state spacing rules/orders affecting Indian lands. This notice will address BLM Wyoming procedures for oil and gas well spacing/well location of Indian lands on the Wind River Indian Reservation (WRIR) and on Indian lands in Nebraska.

Procedure

The Reservoir Management **Group (RMG)** located in the BLM Casper District Office, 1701 East B. Street, Casper, Wyoming, 82601, will be the BLM Wyoming Office of Record for all well spacing/well location decisions on Indian lands in Wyoming and Nebraska. **RMG** will have the sole authority for establishing well spacing/well locations on Indian lands and will issue all spacing order decisions. The Wyoming State Office will review any appeal of a spacing order decision issued by the **RMG** and will make a final decision. Any appeal to a **RMG** spacing order decision should be filed in accordance with normal State Director Review procedures found under 43 CFR 3165.3.

For drilling on Indian lands on the WRIR, Operators shall file an Application for Permit to Drill (APD) to the BLM Lander Resource Area (LRA) Office, P.O. Box 589, 1335 Main, Lander, Wyoming 82520. The APD will serve notice to BLM

of a request for a spacing order for drilling on Indian lands. If the well location is in conformance with standard spacing for Indian lands, the LRA Office will continue to process the APD. The APD approval will serve as BLM's official record of decision for standard well spacing. If an exception well spacing/well location is necessary, the Operator will be notified by the LRA Office to submit notification (application) of the exception to the RMT with a copy to all affected parties. **RMG** will review the available information and issue a spacing order decision with a copy to all affected parties. Affected parties, for the purposes of spacing decisions on Indian lands under the jurisdiction of BLM Wyoming, are defined as the Lessees, Operators, Working Interest and Royalty Interest Owners, within 1/2 mile of the proposed well location (or within the pool or field requested to be spaced), as well as the affected Tribes, and the BIA Agency Office.

The **RMG** shall ensure that any affected Tribes and the BIA Agency Office receive timely notice and copies of applications for field spacing or exception well location requests on Indian lands. All affected parties will be notified of any meetings, continuances, withdrawals, and decisions related to field spacing and exception well location requests on Indian lands. The administrative record will be the basis for approval or disapproval of a field spacing or exception location request involving Indian lands. Upon request, any affected party, will be granted an opportunity for a pre-decision meeting to review the administrative record, submit additional information, and express their views.

Upon reviewing past oil and gas development on the WRIR, past spacing recommendations by BLM Wyoming geologists and engineers, requests for new drilling projects by Operators, and input from active Operators, the following standard spacing guidelines will be utilized by **RMG** for determining spacing on the WRIR:

- 1) Spacing for new oil wells (wells permitted after the effective date of this NTL) will be 40 acres.
- 2) Spacing for new gas wells (wells permitted after the effective date of this NTL) will be 40 acres.
- 3) Developed oil fields (with or without enhanced recovery operations) will be exempted from the standard spacing guidelines subject to review by **RMG**. The following developed oil fields included in the exemption are: Circle Ridge, Lander, Maverick Springs, North Sage Creek, Northwest Sheldon Dome, Pilot Butte, Rolff Lake, Sheldon Dome, Steamboat Butte, and Winkelman Dome.
- 4) Existing oil or gas wells will be exempted from the standard well spacing guidelines subject to review by **RMG**. Any oil or gas well drilled after the effective date of this NTL will be subject to the requirements of the NTL.

In the absence of special orders establishing drilling units or authorizing different well density or location patterns for particular pools or parts thereof, each oil and gas well shall be located in the center of a 40 acre governmental quarter quarter Section or lot or tract or combination of lots or tracts substantially equivalent thereto as shown by the most recent governmental survey, with a tolerance of 200 feet in any direction from the center location (a "window" 400 feet square) provided, that no oil or gas well shall be drilled less than 920 feet from any other well drilling to or capable of producing oil or gas from the same pool, and no oil or gas well shall be completed in a known pool unless it is located more than 920 feet from any other well completed in and capable of producing oil or gas from the same pool. For horizontal well drilling (meaning a wellbore drilled laterally at an angle of at least 50 degrees to the vertical and with a horizontal projection exceeding 100 feet measured from the initial point of penetration into the productive formation through the terminus of the lateral in the same common source of hydrocarbon supply), the following conditions apply: 1) the

surface location may be anywhere on the leased premises, 2) in the absence of a special spacing order, no portion of the horizontal interval within the potentially productive formation shall be closer than 660 feet to a drilling or spacing unit boundary, Federal unit boundary, uncommitted tract within a unit, or boundary line of a lease not committed to the drilling of such horizontal well, and 3) any horizontal interval to be completed closer than 660 feet to such boundaries, tracts or lines, must be oriented such that an azimuth of at least 18 degrees is created between the well path and such boundaries, tracts or lines, allowing up to three (3) degrees of azimuth tolerance for unintended drift. Exceptions to any of the above conditions on oil and gas well locations or horizontal drilling will be subject to review and approval by the **RMG**.

Applications for exceptions to the standard oil and gas well spacing/well location on Indian lands will be handled and subject to approval by the **RMG**. Operators should submit an application to the **RMG** for an exception to standard well spacing/well location stating fully the reasons why such an exception is necessary or desirable. The notification should be accompanied by a plat showing 1) the location (and formation) at which the applicant requests permission to drill, 2) the location at which an oil or gas well could be drilled in compliance with standard well spacing/well locations requirements, and 3) the location of all other existing wells within a 1/2 mile radius of the proposed well location (or within the pool or field to be spaced). In addition, the Operator will provide notice by certified mail of the exception request to those affected parties of lands within 1/2 mile of the proposed well location (or affected parties within the pool or field to be spaced) ELM Wyoming will have the discretion to determine the pattern location of wells adjacent to an area previously spaced where there is sufficient evidence to indicate that the pool or reservoir spaced or about to be spaced may extend beyond the boundary of the spacing order or application and the uniformity of spacing patterns is necessary to insure orderly development of the reservoir or pool.

For Indian lands located in Nebraska, oil and gas well spacing/well location will be determined by the **RMG** on a case by case basis using the procedures described above. APD's for drilling on Indian lands in Nebraska should be filed with the ELM Newcastle Resource Area Office, 1101 Washington Boulevard, Newcastle, Wyoming 82V01. For well locations, the **RMG** will work in cooperation with the Tribal entities and the Nebraska Oil and Gas Commission in determining proper well locations and set-back requirements.

APPROVED:

/s/ Aran R. Pierson
Al Pierson, State Director
Wyoming State Office
Bureau of Land Management
U.S. Department of the Interior

Date Signed: 5/30/97